



**STATE OF CALIFORNIA**  
**BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
**DEPARTMENT OF CORPORATIONS**  
California's Investment and Financing Authority

**NEWS RELEASE**

**06-12**

**Arnold Schwarzenegger, Governor**

**Preston DuFauchard, Commissioner**

**FOR IMMEDIATE RELEASE**  
**December 13, 2006**

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**CALIFORNIA DEPARTMENT OF CORPORATIONS JOIN FORCES  
WITH FEDERAL TRADE COMMISSION, 10 STATES AND OTHER  
FEDERAL AGENCIES TO LAUNCH MAJOR ASSAULT ON  
BUSINESS OPPORTUNITY AND WORK-AT-HOME SCAMS**

(Sacramento, CA)— The California Department of Corporations (DOC) announced today Project FAL\$E HOPE\$, a state and federal sweep by regulators and law enforcement agencies targeting bogus business opportunities and work-at-home scams. The crackdown includes more than 100 law enforcement actions by state and federal agencies in 11 states, including the California Department of Corporations, the Federal Trade Commission (FTC), the U.S. Department of Justice, and the U.S. Postal Inspection Service. In California the DOC initiated enforcement actions against illegal franchise businesses that offered or sold business operations for hypo-allergenic cats, home delivery of pet products, rental of margarita machines, mall coffee kiosks, blended juice cafes, health fitness and nutrition centers, among others.

“The registration requirement of California’s Franchise Investment Law helps prevent misappropriation, mismanagement, and misrepresentation in connection with the offer and sale of franchises,” said California Corporations Commissioner Preston DuFauchard. “By forming inter-agency alliances, we can strengthen our enforcement efforts and protect the public from the sale of unregistered franchise businesses.”

“Bogus business opportunities trample on Americans’ dreams of financial independence,” said FTC Chairman Deborah Platt Majoras. “If a business opportunity promises no risk, little effort, and big profits, it almost certainly is a scam. These scams offer only a money pit, where no matter how much time and money is invested, consumers never achieve the riches and financial freedom promised.”

Project FAL\$E HOPE\$ includes actions by DOC and other states, new cases announced yesterday by federal law enforcement in addition to developments in existing cases, and criminal convictions, as well as new education materials for advertising sales staff on screening ads for bogus business opportunities. (The State Enforcement List is attached.)

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A new guide for publishers offers them help to screen out deceptive ads for business opportunities. The alert, "Ads for Business Opportunities: How to Detect Deception," suggests advertising sales staff to give an extra look at ads that make claims such as:

- No risk! Guaranteed
- Quick and Easy!
- Earn \$2,000 a month

The alert warns that legitimate business ventures involve risks, start-up businesses require a lot of work to get off the ground, and that the law requires earnings claims in ads be accompanied by the number and percentage of previous purchasers who achieved the income.

California leads the nation in franchised businesses, encompassing more than 80,000 businesses that provide 2 million jobs and produced economic output worth \$187 million, according to a 2004 report by the International Franchise Association Educational Foundation.

The Department of Corporations is California's investment and financing authority and is responsible for the regulation, enforcement, and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending, residential mortgage lending, payday lenders, check sellers, bill payers, and debt reduction services. Consumers should contact the department to check on the status of the companies, investments or other services they are considering and the licensing status of the person. Contact the Department of Corporations toll-free Consumer Resource Center at 1-866-ASK-CORP (1-866-275-2677) or visit its Web site at [www.corp.ca.gov](http://www.corp.ca.gov).

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## **STATE ENFORCEMENT LIST**

### **Arizona**

- 1.** The Results Group, LLC, Edward Longoria, Amber Halverson, Arizona parties, lawsuit filed alleging violations of Arizona Consumer Fraud Act, Arizona Attorney General (11/29/06)

### **California**

- 2.** The Pet Pantry International, Inc. and Pet Products Delivery, Inc., Nevada parties, Desist and Refrain Order, California Department of Corporations (4/3/06)
- 3.** Golden Bridge Coffee, Inc. and Jainn Hwa Wang, California parties, Amended Desist and Refrain Order, California Department of Corporations (11/3/06)
- 4.** Allerca, Inc. and Simon Brodie, California parties, Desist and Refrain Order, California Department of Corporations (11/2/06)
- 5.** Integrative Bio Health Management, Inc., IBHM, Inc., d/b/a 5R Health, Jong Ki Kim, Jong Hag Kim, California parties, Desist and Refrain Order, California Department of Corporations (9/13/06)
- 6.** Eureka Education, Inc., and Taesuk “Andrew” Lee, California parties, Desist and Refrain Order, California Department of Corporations (7/20/06)
- 7.** Beyond Juice d/b/a Beyond Juice, Inc., O.L.D., Inc., David Funk, Sally Kline, Morrie Friedman, Nevada parties, Desist and Refrain Order, California Department of Corporations (4/28/06)
- 8.** Ads Unlimited, Inc., d/b/a Welcome To the Neighborhood, Benjamin Gilbert, Kid Sodhi-Gilbert, California parties, Citation of \$2,500 and Desist and Refrain Order, California Department of Corporations (8/14/06)
- 9.** The Cure Service Group, Inc., Lisa Bongi, Rick Stonell aka Rick Stowell, California parties, Order Denying Effectiveness of current Franchise Registration Application and Revoking Current Franchise Registration, Desist and Refrain Order, California Department of Corporations (4/5/06)
- 10.** Laurent Perron d/b/a The Margarita Man, Texas party, Desist and Refrain Order, California Department of Corporations (12/6/06)
- 11.** Imergent, Inc., Stores Online, Inc., and Galaxy Mall, Inc., Stipulated Final

Judgment and Permanent Injunction, Delaware and Wyoming parties, California Attorney General (9/13/06)

12. Vend Direct, Vending Services of America and Gary Luckner, lawsuit alleging violations of California's business opportunities statutes and unfair and deceptive business practices, Colorado parties, California Attorney General (12/11/06)

### **Connecticut**

13. Candy King, Stanley Gladstone, Consent Order, permanent C&D, administrative fine of \$25,000 against Candy King and \$7,500 against Gladstone, Candy King barred for five years from offering biz ops in Connecticut, Candy King must offer rescission for approximately \$100,000 to affected Connecticut purchaser-investors, Gladstone barred for five years from acting as an officer or director of any entity selling biz ops in Connecticut, Florida parties, Department of Banking, Securities & Investments Division (4/26/06)
14. Tax Recovery Group, Inc., permanent C&D from sales of unregistered tax service biz ops and notice of intent to fine issued, Colorado party, Department of Banking, Securities & Investments Division (5/19/2006)
15. Regal Nails, LLC, Stipulation and Agreement, payment of \$3,000 fine for unregistered business opportunity sales in Connecticut, Louisiana party, Department of Banking, Securities & Investments Division (11/28/06)

### **Florida**

16. On-Site Corporation, Settlement Agreement, administrative fine of \$3,000, Idaho party, Florida Department of Agriculture & Consumer Services (6/9/06)
17. Global Resources, Inc., Stewart Pope, default judgment, injunction, judgment of \$960,000.00 (plus court costs), Florida parties, Florida Department of Agriculture & Consumer Services (6/13/06)
18. American Cash Machine, LLC, Settlement Agreement, payment of \$2,000, Florida party, Florida Department of Agriculture & Consumer Services (6/21/06)
19. Energy Automation Systems, Inc., Settlement Agreement, payment of \$2,000, Tennessee party, Florida Department of Agriculture & Consumer Services (6/28/06)
20. Crown Beverage Systems, Informal Settlement Agreement, payment of \$1,000, Ontario, Canadian party, Florida Department of Agriculture & Consumer Services (8/24/06)
21. U.S. Vend Technologies, LLC, a/k/a Vend-It-All, a/k/a U-Turn, Settlement

Agreement, payment of \$500.00, Idaho party, Florida Department of Agriculture & Consumer Services (10/5/06)

### **Indiana**

22. Global Venture, default judgment entered on January 9, 2006, permanent injunction against defendants and employees prohibiting conduct in violation of Indiana Business Opportunity Transactions Act and Indiana Deceptive Consumer Sales Act, payment of \$17,647, cancellation of defendant's business opportunity contract with the Sheryl E. Stutz Trust, Florida party, Indiana Attorney General's Office
23. Imergent/Stores On Line, lawsuit filed on January 13, 2006 for violations of Business Opportunity Transaction Act and Indiana Deceptive Consumer Sales Act, for injunctive relief, restitution, and other relief, Utah party, Indiana Attorney General's Office
24. Sunshine Candle Corp, lawsuit filed on February 10, 2006 for violations of the Indiana Business Opportunity Transactions Act and the Indiana Deceptive Consumer Sales Act, for injunctive relief, restitution, and other relief, New York party, Indiana Attorney General's Office
25. Holiday Enterprises & Holiday Ink, lawsuit filed on August 9, 2006 for violations of the Indiana Business Opportunity Transactions Act and the Indiana Deceptive Consumer Sales Act, for injunctive relief, restitution, and other relief, Georgia parties, Indiana Attorney General's Office
26. Nelson Baker d/b/a Sparetime Enterprises, Consent Judgment entered on August 11, 2006, consumer restitution of \$2,390 and \$300 costs, contract between Defendant and Peter and Reeta Willis declared void, Ohio party, Indiana Attorney General's Office
27. People's Health Choice, Inc., Consent Judgment entered on August 25, 2006, costs of \$872.15, consumer redress of \$1,127.85, contract between defendant and Shirley Baker declared void, California party, Indiana Attorney General's Office

### **Kentucky**

28. Tosh Farms, LLC, Tosh Farms General Partnership, Pig Palace, LLC, and Shiloh Hills, LLC, Assurance of Voluntary Compliance, Tennessee party, Kentucky Attorney General's Office (9/13/2006)
29. National Snack Products, Inc. and Dennis Roberts, TRO issued against defendants to cease from offering business opportunities in Kentucky and refrain from destroying or concealing records or assets, Minnesota parties, Kentucky Attorney General's Office (10/20/06)

## **Louisiana**

30. Dreamlife, LLC, d/b/a Power Plus MPG and Dreamlife Products, and Brent Holland, Petition for Injunctive Relief, Louisiana parties, Louisiana Attorney General's Office (12/6/06)

## **Maryland**

31. Coffee Beanery, Ltd. and Kevin Shaw, Consent Order, Michigan parties, Maryland Attorney General's Office, Securities Division (9/12/06)
32. Aussie Pet Mobile, Consent Order, California party, Maryland Attorney General's Office, Securities Division (1/25/06)
33. Carpet Network, Inc., Consent Order, New Jersey party, Maryland Attorney General's Office, Securities Division (2/9/06)
34. Emerald Coast Mfg., Inc., dba Java Jo's Coffee, Agreement, Florida party, Maryland Attorney General's Office, Securities Division (2/10/06)
35. Humitech Franchise Corp., Consent Order, Texas party, Maryland Attorney General's Office, Securities Division (2/28/06)
36. Online Outpost Licensing Corp., Agreement, Florida party, Maryland Attorney General's Office, Securities Division (2/28/06)
37. KaBloom Franchising Corp., Consent Order, Massachusetts party, Maryland Attorney General's Office, Securities Division (3/16/06)
38. Daily Grind of Winchester, Inc., Agreement, Virginia party, Maryland Attorney General's Office, Securities Division (3/29/06)
39. Multicorp Franchising, Inc., Consent Order, Maryland party, Maryland Attorney General's Office, Securities Division (4/7/06)
40. The Dale Group, d/b/a Blind Brokers Network, Consent Order, California party, Maryland Attorney General's Office, Securities Division (4/24/06)
41. Commercial Property LLC and William Stredney, Arizona parties, Consent Order, Maryland Attorney General's Office, Securities Division (5/1/06)
42. Mailcoups, Inc., d/b/a Supercoups, Consent Order, Massachusetts party, Maryland Attorney General's Office, Securities Division (5/16/06)
43. A Nanny on the Net, Consent Order, North Carolina/Virginia party, Maryland Attorney General's Office, Securities Division (5/22/06)

- 44. Champion Child, Inc., d/b/a Stretch-N-Grow, Consent Order, Florida party, Maryland Attorney General's Office, Securities Division (5/23/06)
- 45. Quiznos Franchising, LLC and Quiznos Franchising II, LLC, Consent Order, Colorado parties, Maryland Attorney General's Office, Securities Division (7/27/06)
- 46. Lady of America Franchise Corp. and Charles Cavuoto, Order to Show Cause, Florida parties, Maryland Attorney General's Office, Securities Division (8/4/06)
- 47. GNC Franchising, LLC, Consent Order, Pennsylvania party, Maryland Attorney General's Office, Securities Division (8/15/06)
- 48. Coffee Heaven, LLC and James "Jay" Cummings, Final Order to Cease & Desist, Florida parties, Maryland Attorney General's Office, Securities Division (8/16/06)
- 49. Midwestern Enterprises, Inc., d/b/a InkRX and InkRX.com, Consent Order, Wisconsin party, Maryland Attorney General's Office, Securities Division (9/21/06)
- 50. Teen Golf Adventures, LLC, d/b/a Total Golf Adventures, Consent Order, California party, Maryland Attorney General's Office, Securities Division (11/1/06)
- 51. United Business Solutions, Inc., d/b/a UBS Group, Order to Show Cause, Iowa party, Maryland Attorney General's Office, Securities Division (10/5/06)
- 52. Slim and Tone, LLC, Consent Order, Pennsylvania party, Maryland Attorney General's Office, Securities Division (11/29/06)

### **Texas**

- 53. Bio Performance, Inc. and Lowell Mims and Gustavo Romero, Petition for Temporary Restraining Order, Temporary Injunction and Permanent Injunction and Asset Freeze, Texas parties, Texas Attorney General's Office, Consumer Protection & Public Health Division (May 17, 2006)

### **Washington**

- 54. Smart Advertising, Inc. and Brad Lober, Final Order to Cease & Desist, Arizona parties, Department of Financial Institutions, Securities Division (5/18/06)
- 55. Press-A-Print International, LLC and Brent Overfelt, Consent Order to Cease & Desist, Idaho parties, Department of Financial Institutions, Securities Division (10/11/2006)

- 56. Global Resources, Inc., Stuart Pope, and John Maginnis, Statement of Charges, Florida and Washington parties, Department of Financial Institutions, Securities Division (10/23/2006)
- 57. Holiday Enterprises, Inc., Richard J. Morrell aka Nick Morrell, Andrew DeVoe, and Sherri Albano, Statement of Charges, Georgia and Florida parties, Department of Financial Institutions, Securities Division (11/22/2006)

**Wisconsin**

- 58. Keith Walls and David Riley, Summary Order of Prohibition and Revocation of Exemptions, Arizona parties, Department of Financial Institutions (6/22/06)
- 59. Accutax LLC, Consent Order of Prohibition, Arizona party, Department of Financial Institutions (7/13/2006)
- 60. DEI Franchising Systems, Inc., Summary Order Revoking Registration, New York party, Department of Financial Institutions (7/13/2006)
- 61. Fastbucks Franchise Corp., Summary Order Revoking Registration, Texas party, Department of Financial Institutions (9/12/2006)
- 62. Garagetek, Inc., Summary Order Revoking Registration, New York party, Department of Financial Institutions (5/15/2006)
- 63. Midwestern Enterprises and Adrian Anderson, Consent Order of Prohibition, Michigan parties, Department of Financial Institutions (5/15/2006)
- 64. UBS Group, Inc. and Johnathan Ahlf, Summary Order of Prohibition, Iowa parties, Department of Financial Institutions (6/22/2006)



# FTC FACTS for Business

## Ads for Business Opportunities: How To Detect Deception

**I**t's not hard to see why ads for business opportunities that promote the benefits of being your own boss and making money quickly are appealing. But the Federal Trade Commission (FTC), the government agency that monitors advertising for deception, says that some ads for business opportunities feature empty promises and false claims that potential entrepreneurs could never realize.

Promoters of fraudulent business opportunities run ads where their targets are likely to see them: in daily and weekly newspapers, in magazines, and on the Internet. The FTC is asking for your help in finding these ads first. By doing so, you can protect your company and your readers from being left holding the bag.

As part of an advertising sales or production staff, you customarily review ad claims for taste and appropriateness. It's just good sense to take that extra moment to review a business opportunity claim for telltale signs of fraud, too.

- It can protect your company from being known as one that promotes rip-offs. Your readers may believe an offer is legitimate because it's in your publication or on your website. When the claim turns out to be false, they may well blame you for running the ad.
- It can keep you from getting cheated by those who are making the false claims. There's a good chance they won't pay their bills, and will have left town by the time you try to collect.
- It can keep you from harming your readers and your legitimate advertisers.

### SPOTTING FALSE CLAIMS

How can you spot claims for a fraudulent business opportunity? One clue may be the type of opportunity being advertised. Fraud has most often been associated with promotions for vending machine, display rack, pay phone, medical billing, and some Internet-related businesses.

Here are several other claims that have made it into the pages of legitimate papers, magazines and websites recently:

**"WORK PART-TIME FROM HOME."** Most scammers promise an ideal work situation — the ability to set your own hours, be your own boss, or work from home. In fact, this rosy scenario is far from reality for most small business owners.

**"Be Your Own Boss"**

**"Own a Dealership Today"**

**"EARN \$2,000 A MONTH."** If an ad claims buyers can make a certain amount of money, the law says the promoter must give the number and percentage of previous purchasers who earned the income. If an earnings claim is there, but the additional information isn't, ask for more information: the business opportunity seller may be violating the law.

**"\$50K/yr"**

**"Vending route nets \$1,700/wk"**

# Facts for Business

**“NO RISK! GUARANTEED!”** Ads that promise a big payout with little or no risk are usually a telltale sign of a fraud. Legitimate business ventures involve risks — usually in proportion to the promised return.

**“Huge Income”**

**“100% return on your investment!”**

**“QUICK AND EASY!”** Successful start-up businesses, including franchises, require a lot of work to get off the ground, let alone manage. Only a few are profitable from the start. If ads promise vending locations, they may not be current or high-traffic; the merchandise also may be out-of-date or of poor quality.

**“Start Earning Today”**

**“Prime locations available now”**

These are examples of possibly deceptive claims. If you see them, highlight them for the appropriate person in your company. At the same time, know that many fraudulent business opportunity promoters use more subtle language when making promises, guarantees, and claims that they can’t possibly keep.

By taking a few moments to review the claims made in business opportunity ads, you can protect the reputation of your company — and the consumers in your community.

## **FOR MORE INFORMATION**

For information on red flag claims for weight loss products, visit [ftc.gov/redflag](http://ftc.gov/redflag). If you see an ad you think is deceptive, you can report it to the FTC using the complaint form at [ftc.gov](http://ftc.gov).

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit [ftc.gov](http://ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

## **YOUR OPPORTUNITY TO COMMENT**

The National Small Business Ombudsman and 10 Regional Fairness Boards collect comments from small businesses about federal compliance and enforcement activities. Each year, the Ombudsman evaluates the conduct of these activities and rates each agency’s responsiveness to small businesses. Small businesses can comment to the Ombudsman without fear of reprisal. To comment, call toll-free 1-888-REGFAIR (1-888-734-3247) or go to [sba.gov/ombudsman](http://sba.gov/ombudsman).

FEDERAL TRADE COMMISSION	<a href="http://ftc.gov">ftc.gov</a>
1-877-FTC-HELP	FOR THE CONSUMER

**Federal Trade Commission**  
Bureau of Consumer Protection  
Division of Consumer and Business Education